

**FOR DISCUSSION ONLY.
SAMPLE FORMAT**

M. L. C. # 2 PROGRAM

(Morrell Ledger Contract)

WHO MAY PARTICIPATE

Producers who are currently enrolled in either the M.V.P or M.L.C.

HOW THE PROGRAM WORKS

1. Producers that pay down the existing ledger balance by 50%
Are entitled to participate in the M.L.C.# 2 Contract for 36 months.
2. Payment of 75% entitles them to a M.L.C.# 2 Contract of 42 months.
3. Payment of 100% entitles them to a M.L.C. #2 Contract for 48 months.
4. Morrell will reduce the amount of the paydown by 10% and credit the ledger balance for the full amount. i.e., \$500,000 balance, 50% payment equals \$250,000 less 10% (\$25,000) equals \$225,000 to Qualify as 50% payment.
5. At the beginning of the new contract period, the producer's ledger account may have a carry forward balance from the existing contract.
6. The ledger balance due from the Producer may be limited to a maximum of 100% of net worth or \$15.00 per head based on delivered hogs.

ADDITIONAL REQUIREMENTS

1. Producers agree to provide a copy of their most recent financial disclosure and annually thereafter unless requested with greater frequency.
2. Producer agrees to issue a Personal Guarantee for any debt due John Morrell & Co. arising from the ledger contract.
3. A participating producer agrees to sell 100% of his production of market hogs to Morrell for the contract period that this program is in effect. During this period, the contract price for the producer's hogs will be not less than an established price of \$36.00/cwt. Morrell will maintain a separate ledger account reflecting Morrell's purchases of market hogs from the producer. At the beginning of the contract period, the producer's ledger account may have a balance of zero but at any time during the contract period, the account may only reflect a balance due Morrell or zero. It will not reflect a balance due the producer from Morrell.

Whenever the market price, plus or minus premiums, of live hogs is less than or equal to \$36.00 cwt., Morrell will pay the producer based on a \$36.00/cwt. price, and will increase the balance due Morrell on the producer's ledger account by the difference. Whenever the market price, plus or minus premiums, of live hogs is greater than \$36.00 cwt. Morrell will apply the difference between the amount paid and \$36.00 cwt. to reduce or eliminate the balance due Morrell in the producer's ledger account.

John Morrell will send out quarterly statements showing hog purchases during each quarter setting fourth current ledger account balances. Unless producer notifies Morrell in writing within 10 days the statement will be deemed correct.

At the end of the contract period, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days.

MARKET PRICE DEFINED

For purposes of this program, market price refers to the mid-morning (11:00 a.m.) Iowa Minnesota weighted average (as quoted on the D.T.N.) on a three-day average prior to the kill date.

Example (for hogs killed on Friday):

Tuesday quote	IA/MN WA \$44.59
Wednesday quote	IA/MN WA \$45.27
Thursday quote	IA/MN WA \$43.92

Market price (based on three-day average) is: \$44.59

All prices referenced herein are for plant-delivered market hogs at Morrell's facilities at either Sioux Falls, South Dakota, or Sioux City, Iowa. Destinations and delivery dates must be approved by Morrell prior to each delivery. Morrell reserves the right to direct the delivery of hogs to facilities other than the one facility referenced to on Participation Agreement as "primary delivery facility" at any time, in which event Morrell will adjust the price payable hereunder to fully compensate the producer for any difference in freight charges incurred.

Prices under this program will be determined in conjunction with the carcass merit program of Morrell in effect at the time of delivery. Morrell reserves the right to modify its carcass merit program at any time during the term to respond to changes in industry standards, product marketability, and advances in evaluation procedures.

THE PRODUCER'S OBLIGATIONS

Producers who participate in this program agree to permit a licensed veterinarian approved by Morrell to inspect and supervise their hog production operations, to use and administer all applicable drugs properly and to adhere to the prescribed withdrawal procedures thereto. Producer must transport hogs in a manner to avoid stress and bruising. All hogs must be delivered in good condition. Producer must make John Morrell & Co. aware of his or her delivery intentions for the week no later than 4:00 p.m. Thursday of the week prior. Producer must deliver production on an evenly distributed level throughout the year.

TERMINATION

The producer's right to participate in this program will expire at the end of the contract period. Renewal or extension of the contract term may occur only with the written consent of John Morrell & Co. and the producer.

This contract may be terminated if in Morrell's opinion the Producer has become insolvent. This will be based on financial disclosure or other acceptable tests of insolvency.

The producer's exit from the production of hogs industry will be considered a breach of contract.

Morrell reserves the right to terminate a producer's right to participate in this program before the end of the contract period if the producer defaults in his obligation to deliver 100% of his marketable production of market hogs or if he otherwise fails to perform any material obligation hereunder. Morrell may also discontinue this program at any time if Morrell should permanently withdraw from the business of slaughtering hogs at its facilities in Sioux City, Iowa or Sioux Falls, South Dakota. Upon any such termination, if the producer's ledger account shows a balance due Morrell, then the producer will pay this amount to Morrell in cash, without interest, within 30 days. Termination will not limit Morrell's right to recover from the producer for any loss, damage or liability Morrell may incur as the result of the producer's default.

FORCE MAJEURE

Neither party shall be liable for failure to perform or delay in performing any act hereunder if such performance is rendered impossible by reasons of matters beyond the reasonable control of the party, including but not limited to acts of God, strikes, lockouts, picketing, wars, blockades, riots, disease, epidemics, fire storms, floods, or explosion. These actions shall include but not be limited to:

(i) A failure to settle or prevent any strike or controversy with employees or with anyone purporting or seeking to represent employees shall be considered a matter beyond the reasonable control of the party affected under this subsection, provided such strike affect said party's performance of the requirements of this agreement; and

(ii) Any inability of producer to supply hogs due to an outbreak of disease, or failure to receive sufficient weaning pigs, or governmental action limiting or stopping production.

Once production becomes commercially possible, the responsibilities and obligations of the parties shall resume again with full force and effect. Where either party claims an excuse for non-performance under this Section, it shall give prompt telephonic notice promptly confirmed by written notice of the occurrence and estimated duration of the Force Majeure event to the other party; and it shall give prompt written notice when the Force Majeure event has been remedied and performance can re-commence hereunder.

MISCELLANEOUS

An eligible producer desiring to participate in this program must complete, sign and submit to Morrell for approval the attached program participation agreement. The producer is not entitled to participate in the program until his participation agreement has been reviewed and approved by an authorized officer of Morrell. This document, together with the participation agreement, constitutes the entire agreement between Morrell and the producer with respect to the program and may not be modified or amended in any respect by oral statements or course of dealing. Morrell reserves the right to assign its interest in this program to any purchaser of any substantial part of Morrell's assets or business. This program is governed in all respects by the laws of the State of South Dakota.

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